

# MINUTES

## North Dakota Public Employees Retirement System

Thursday, June 19, 2008  
ND Association of Counties, Bismarck  
BCBS, 4510 13<sup>th</sup> Ave SW, Fargo  
8:30 A.M.

Members Present: Mr. Ron Leingang  
Mr. Mike Sandal  
Ms. Arvy Smith  
Mr. Thomas Trenbeath

Members Absent: Ms. Joan Ehrhardt

Via Conference Call: Chairman Jon Strinden

Others Present: Mr. Sparb Collins, NDPERS  
Ms. Cheryl Stockert, NDPERS  
Mr. Bryan Reinhardt, NDPERS  
Ms. Deb Knudsen, NDPERS  
Ms. Kathy Allen, NDPERS  
Ms. Rebecca Fricke, NDPERS  
Mr. Aaron Webb, Attorney Generals Office  
Mr. Kevin Schoenborn, BCBSND  
Mr. Bill Kalanek, AFPE  
Ms. Gisele Thorson, NDPEA

Via Conference Call: Mr. Larry Brooks, BCBSND  
Ms. Onalee Sellheim, BCBSND  
Dr. Jon Rice, BCBSND

Chairman Strinden called the meeting to order at 8:30 a.m.

### **MINUTES**

Chairman Strinden called for any questions or comments regarding the minutes of the May 15, 2008 Board meeting.

**MR. TRENBEATH MOVED APPROVAL OF THE MAY 15, 2008 NDPERS BOARD MINUTES. MR. LEINGANG SECONDED THE MOTION. THE MINUTES WERE APPROVED.**

**ADMINISTRATIVE**

Mr. Collins presented the 2009-2011 biennium base budget to the Board for approval. NDPERS budget is a hold even budget as requested by OMB.

**MR. TRENBEATH MOVED APPROVAL OF THE 2009-2011 BUDGET. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**IT 2009-2011 BIENNIUM PLAN**

Mr. Collins reviewed with the Board the IT strategic plan which must be submitted pursuant to ITD guidelines. NDPERS primary focus will be development of the new business system; however, there are projects that will be tied to the proposed legislation that will need to be updated in the existing mainframe system.

**MR. SANDAL MOVED TO APPROVE THE 2009-2011 IT STRATEGIC PLAN. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**RETIREMENT**

**LEGISLATION**

Mr. Collins reviewed with the Board the issues that have occurred since their approval of the proposed legislation. The legislation in bill 90112.01 did not include a 5% increase for OASIS participants. Board discussion followed.

**MS. SMITH MOVED TO AMEND BILL 90112.01 TO INCLUDE A 5% INCREASE FOR OASIS PARTICIPANTS. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins reviewed with the Board the issue relating to applying the graduated benefit to the level social security option. Segal has recommended that PERS not offer this benefit and staff agreed due to the fact that the purpose of the current level income benefit is designed to maintain a generally steady benefit amount, and it is not recommended that graduated increases be offered with this benefit form. Board discussion followed.

**MR. SANDAL MOVED TO NOT APPLY THE GRADUATED BENEFIT TO THE LEVEL SOCIAL SECURITY OPTION. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins reported that Segal has evaluated the estimated cost of a one time 2% benefit for retirees and beneficiaries for members of the NDPERS and Highway Patrol plans. It is proposed to fully fund this through an employer contribution increase of 1.15%. It was suggested that a more conservative method could be applied by assuming the rate of return is less than 8% (such as the treasury bill rate of return which is 4.25% per year). The Board discussed this issue and consensus was reached that the actuary would proceed at the 8% return for the funding valuation.

Mr. Webb reviewed with the Board the effects Senator Mathern's proposed healthy North Dakota health insurance coverage bill 90033.033 would have on NDPERS operations and the potential changes affecting its membership. Mr. Collins indicated that the technical review will be completed focusing on NDPERS which is a very minimal part of this bill. The Board concurred with this approach and directed Mr. Collins to send a letter to the Legislative Employee Benefits committee chair indicating that this is the approach the consultant will take in the review.

**DISABILITY CONSULTANT AGREEMENT**

Ms. Allen reported the annual disability consultant agreement is scheduled for renewal July 1. Mid Dakota Clinic is interested in continuing to perform these services for NDPERS with a rate increase from \$160 to \$200 per hour. Staff has been satisfied with the services provided. Board discussion followed.

**MR. LEINGANG MOVED TO APPROVE THE CONTRACT WITH MID DAKOTA CLINIC TO PROVIDE DISABILITY CONSULTING SERVICES. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**JOB SERVICE RETIREMENT PLAN**

Ms. Allen explained to the Board that with the implementation of the new business system, there is an opportunity under the Job Service retirement plan to automate the interest calculation on a monthly basis, which is consistent with how the other retirement systems are calculated.

**MR. TRENBEATH MOVED TO APPROVE CHANGING THE CALCULATION OF INTEREST FOR THE JOB SERVICE PLAN FROM AN ANNUAL CALCULATION TO A MONTHLY CALCULATION EFFECTIVE WITH THE NEW PERSLINK SYSTEM TO BE EFFECTIVE OCTOBER 1, 2010. THE MOTION WAS SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**ASSET ALLOCATION STUDIES**

Mr. Reinhardt reported that at the last NDPERS Investment Subcommittee meeting representatives from State Street Global Advisors discussed the poor performance of the investments in the NDPERS Retiree Health Credit Fund. The subcommittee also discussed the Job Service Retirement Plan. After review and discussion the Subcommittee is recommending that NDPERS, in cooperation with RIO complete an asset allocation study of both funds. Mr. Collins indicated to the Board that they will have an opportunity to review and take action on any possible expenditures for these studies.

**MR. LEINGANG MOVED TO DIRECT THAT AN ASSET ALLOCATION STUDY BE CONDUCTED ON THE RETIREE HEALTH CREDIT FUND AND THE JOB SERVICE RETIREMENT PLAN, AND THAT THE BOARD WILL HAVE THE OPPORTUNITY TO REVIEW AND TAKE THE NECESSARY ACTION ON EXPENDITURES INVOLVED WITH THESE STUDIES. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**GROUP INSURANCE**

**BCBS UPDATE**

Mr. Brooks, BCBSND, reviewed with the Board survey information relating to the Medicare Part D program as well as an update on their efforts to negotiate performance

standards with the carrier. The survey, which was conducted in December by Kenexa, focused on satisfaction with the pharmacy, enrollment process, benefits and features (such as website, CSR). Mr. Brooks also reviewed with the Board information relating to opportunities and improvements in this program as well as the metrics that will be used to measure performance and subsequent penalties.

Dr. Rice, BCBSND, presented information to the Board relating to the ND Advanced Medical Home Project. BCBSND is embarking on a change in the way that primary care is provided in the state of North Dakota. Dr. Rice explained that the quality and quantity of primary care directly influences population health status and comprehensiveness of primary care directly influences outcomes of disease management. This program will be starting in January 2009.

### **HEALTH PLAN**

Mr. Collins reviewed with the Board the sequence of events for the BCBS renewal process. At the Board planning meeting, several plan design alternatives were discussed and have been developed as alternative plan designs 1, 2, and 3. In addition plan design option has been developed to incorporate more wellness incentives into the plan. Mr. Collins stated the PERS Benefits Committee has reviewed the plan design options and agreed NDPERS should move forward with these alternatives. This information will be submitted to the actuaries for their review and will be presented at a subsequent Board meeting.

**MS. SMITH MOVED TO APPROVE THE HEALTH PLAN DESIGN APPROACH. THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

### **MOTION PASSED**

Mr. Collins reviewed with the Board the renewal options for the retiree plan for those individuals on Medicare. The retiree subcommittee met and recommended the NDPERS Board seek renewal information from BCBS relating to an optional plan for Medicare retirees based upon the Medicare Supplement F with a unified premium and change the Medicare plan design to allow retirees to make a separate election for the medical coverage and the Rx coverage. Currently, retirees are required to take both if they want to participate in the NDPERS medical plan. The Board discussed these options.

**MR. LEINGANG MOVED TO APPROVE THE RECOMMENDATIONS OF THE RETIREE SUBCOMMITTEE. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

Mr. Collins stated that the audit committee had previously brought to the Board's attention the need to conduct an audit of the pharmacy benefits manager. Mr. Collins indicated it is staff's intention to seek Board approval to issue a request for proposal and seek the assistance of Gallagher Benefit Services in this effort. Staff will work with the audit committee and prepare a final recommendation for Board consideration.

**MR. TRENBEATH MOVED TO PROCEED WITH THE REQUEST FOR PROPOSAL, TO HAVE GALLAGHER BENEFIT SERVICES PUT TOGETHER A PROPOSAL FOR THE PBM AUDIT. THE MOTION WAS SECONDED BY MS. SMITH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**DENTAL RENEWAL**

Ms. Allen reported that the dental contract with CIGNA expires on December 31, 2008. NDPERS, in conjunction with Gallagher Benefit Services, requested a renewal proposal from CIGNA and they provided two options for consideration. Board discussion followed relating to the renewal options.

**MR. TRENBEATH MOVED TO APPROVE THE OPTION THAT THE PREMIUM INCREASE REMAIN AT 9% FOR 2009 AND NOT EXCEED 18% FOR 2010 (SUBJECT TO SUCCESSFUL RENEWAL NEGOTIATIONS). THE MOTION WAS SECONDED BY MR. SANDAL.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

**HB 1433 IMPLEMENTATION UPDATE**

Mr. Collins presented an update to the Board relating to the diabetes management program. Upon approval of the prescriptive practices committee, a mailing will be sent to members outlining information about the program, including enrollment information. NDPERS has issued a request for proposal to provide an evaluation of the program.

### **MEDICARE BLUE RX CONTRACT**

Ms. Allen presented the BCBS MedicareBlue RX Retiree contract to the Board for the annual renewal. Legal counsel has reviewed the contract and no issues were noted.

**MR. SANDAL MOVED TO APPROVE THE CONTRACT. THE MOTION WAS  
SECONDED BY MR. LEINGANG.**

**Ayes:** Mr. Leingang, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

### **SURPLUS/AFFORDABILITY UPDATE**

Mr. Reinhardt presented the April surplus projection and affordability analysis for the NDPERS group medical plan to the Board.

### **DEFERRED COMPENSATION**

#### **PROVIDER TRAINING PILOT PROGRAM**

Ms. Knudsen provided the Board with information relating to the pilot 457 provider training conducted this spring. Representatives outside of the Bismarck-Mandan area were able to use the GoToMeeting online meeting website via a conference call. Very positive responses were received as these representatives did not have to travel to Bismarck in order to receive their required continuing education credits. Staff intends to provide similar training opportunities to representatives in the future.

#### **457 COMPANION PLAN AND 401 (a) PLAN 1<sup>ST</sup> QUARTER 2008 REPORTS**

Mr. Reinhardt presented the 1<sup>st</sup> quarter 2008 investment report to the Board for the 401(a) and 457 Companion Plans. Assets in the 401(a) plan decreased to \$16.8 million and in the Companion Plan decreased to \$22.7 million.

### **MISCELLANEOUS**

#### **INVESTMENT COMMITTEE MEETING MINUTES**

The February 13, 2008 investment committee meeting minutes were shared with the Board for their information.

#### **CONTACT INFORMATION**

Ms. Knudsen reviewed with the Board information relating to NDPERS business continuity/disaster recovery plan, specifically personal contact information. The Board concurred that their information can be included to enable them to become notified in the event of an emergency.

**BOARD ELECTION RESULTS**

Ms. Allen reported that the election committee canvassed the ballots on Monday, June 16, 2008 at 9:00 a.m. at the NDPERS office. Because the election results were very close (by 13 votes), a recount was conducted. Mr. Levi Erdmann received the highest number of votes.

**MR. LEINGANG MOVED TO CERTIFY THE ELECTION THAT MR. LEVI ERDMANN IS THE NEW BOARD MEMBER. THE MOTION WAS SECONDED BY MR. TRENBEATH.**

**Ayes:** Mr. Leingang, Ms. Smith, Mr. Trenbeath, Mr. Sandal, and Chairman Strinden.

**Nays:** None

**Absent:** Ms. Ehrhardt

**MOTION PASSED**

The February 20, 2008 audit committee minutes were shared with the Board.

The State Investment Board agenda and approved minutes were shared with the Board.

The Board agreed to change the August Board meeting date from the 21<sup>st</sup> to either the 26<sup>th</sup> or 27<sup>th</sup> and they will be notified.

The results of the Executive Director evaluation will be deferred to the July Board meeting.

Mr. Collins shared information with the Board relating to a COBRA retiree rate increase issue and letters that were sent to these members.

Chairman Strinden called for any other business or comments. Hearing none, the meeting adjourned at 11:25 a.m.

Prepared by,

Cheryl Stockert  
Secretary to the Board